

Message Text

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ACTION EB-08

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FM AMEMBASSY LONDON

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E. O. 11652: N/A

TAGS: EAIR, US, UK

SUBJECT: CIVAIR: PANAM FARES TO MATCH BCAL; OTHER
U.S. FARE FILINGS

REF: STATE 169636

1. IAN BROWN OF U.K. DEPARTMENT OF TRADE INFORMED
EMBASSY JULY 7 THAT:

A. AFTER LONG AND DIFFICULT DISCUSSIONS WITH BRITISH
CALEDONIAN CHAIRMAN, ADAM THOMPSON, WHO CLAIMED HE
WOULD HAVE TO RESPOND WITH AN 11TH HOUR FARE AT
TWO AND ONE-QUARTER CENTS A MILE, THE UKG HAS
DECIDED NOT REPEAT NOT TO EXPRESS DISSATISFACTION
WITH PANAM'S PROPOSED HOUSTON FARES, AND WILL
APPROVE THEM ON SHORT NOTICE. U.K. EMBASSY IS
HOWEVER BEING ASKED TO PROVIDE PIECE OF PAPER TO
DEPARTMENT FOR TRANSMISSION TO CAB WHICH WOULD
ASK THAT U.S. AUTHORITIES CONSIDER THE LEVEL OF
PANAM'S PROPOSED BUDGET FARE VERY CAREFULLY BEFORE
ALLOWING IT TO COME INTO EFFECT. AT PRESENT
LEVEL, BRITISH, AND BCAL IN PARTICULAR, SEE THE
BUDGET FARE AS A PREDATORY FARE DESIGNED TO WIN
OVER ALL BCAL'S PRESENT 11TH HOUR FARE TRAFFIC.

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HOW, ASKS THOMPSON, CAN AN 11TH HOUR FARE, WITH
ALL THAT IMPLIES OF LAST MINUTE UNCERTAINTY,
COMPETE WITH A FARE AT ROUGHLY THE SAME LEVEL THAT
PROVIDES A CERTAIN SEAT TEN DAYS OR MORE IN ADVANCE?
(BROWN ACCEPTS THE ARGUMENT THAT THE BUDGET FARE IS
MORE RESTRICTIVE THAN THE BOTTOM DOLLAR APEX FARE
AND MUST THEREFORE BE LOWER IN PRICE TO EFFECTIVELY

MATCH IT, BUT BRITISH SEE NO REASON IT MUST BE SO LOW AS TO COMPETE WITH THE 11TH HOUR STANDBY FARE AS WELL.) BROWN DID NOT COMMENT SPECIFICALLY ON THE OTHER PANAM FARES FROM HOUSTON.

B. UKG WILL EXPRESS DISSATISFACTION WITH THE PANAM FILING WHICH WOULD REMOVE CAPACITY RESTRICTIONS ON STANDBY FARES ON ROUTE SEGMENTS OTHER THAN LONDON-HOUSTON. IT WILL ALSO EXPRESS DISSATISFACTION WITH THE PANAM AND TWA FILINGS WHICH WOULD REMOVE ALL ADVERTISING RESTRICTIONS ON BUDGET AND STANDBY FARES, E.G., THE LIMITATION OF ADVERTISING TO PLACES WHERE THERE IS A VALID BUDGET OR STANDBY FARE. AT LEAST LATTER FILINGS ARE SEEN AS IN CONFLICT WITH THE LAST SENTENCE OF PARAGRAPH 2 OF THE SHOVELTON-ATWOOD EXCHANGE ON FARES OF LAST MARCH, AND IN BOTH CASES THE BRITISH WISH TO DISCUSS THE MATTER DURING THE JOINT REVIEW OF LOW FARES NEXT FALL. THEY FEEL THAT THE UNDERLYING THEME OF THE SHOVELTON-ATWOOD EXCHANGE WAS THAT THERE SHOULD BE A PERIOD OF RELATIVE STABILITY IN FARES OVER THE SUMMER, WHICH WOULD ALLOW THE FALL ASSESSMENT TO BE MADE AGAINST A RELATIVELY STABLE BACKGROUND AND THUS BE MORE MEANINGFUL.

2. IN LIGHT UK ACCEPTANCE ALL OF PANAM'S FILINGS RE HOUSTON, EMBASSY HAS NOT USED PARA 3 OF REFTTEL. LIMITED OFFICIAL USE

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